

**ASSEMBLY BILL**

**No. 923**

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**Introduced by Assembly Member Bigelow**

February 22, 2013

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An act to amend Section 368 of the Public Utilities Code, relating to electrical rates.

LEGISLATIVE COUNSEL'S DIGEST

AB 923, as introduced, Bigelow. Electrical rates.

Under existing law, the restructuring of the electrical services industry provides for a rate reduction of not less than 10% for residential and small commercial customers of electrical corporations, to remain in effect until the earlier of March 31, 2002, or the date on which specified costs have been fully recovered.

This bill would make technical, nonsubstantive changes to that provision.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 368 of the Public Utilities Code is
- 2 amended to read:
- 3 368. Each electrical corporation shall propose a cost recovery
- 4 plan to the commission for the recovery of the uneconomic costs
- 5 of an electrical corporation's generation-related assets and
- 6 obligations identified in Section 367. The commission shall
- 7 authorize the electrical corporation to recover the costs pursuant
- 8 to the plan if the plan meets the following criteria:

1 (a) The cost recovery plan shall set rates for each customer class,  
2 rate schedule, contract, or tariff option, at levels equal to the level  
3 as shown on electric rate schedules as of June 10, 1996, ~~provided~~  
4 ~~that if~~ rates for residential and small commercial customers ~~shall~~  
5 ~~be~~ *are* reduced so that these customers ~~shall~~ receive rate reductions  
6 of no less than 10 percent for 1998 continuing through 2002. These  
7 rate levels for each customer class, rate schedule, contract, or tariff  
8 option shall remain in effect until the earlier of March 31, 2002,  
9 or the date on which the commission-authorized costs for utility  
10 generation-related assets and obligations have been fully recovered.  
11 The electrical corporation shall be at risk for those costs not  
12 recovered during that time period. Each utility shall amortize its  
13 total uneconomic costs, to the extent possible, such that for each  
14 year during the transition period its recorded rate of return on the  
15 remaining uneconomic assets does not exceed its authorized rate  
16 of return for those assets. For purposes of determining the extent  
17 to which the costs have been recovered, any over-collections  
18 recorded in Energy Costs Adjustment Clause and Electric Revenue  
19 Adjustment Mechanism balancing accounts, as of December 31,  
20 1996, shall be credited to the recovery of the costs.

21 (b) The cost recovery plan shall provide for identification and  
22 separation of individual rate components, such as charges for  
23 energy, transmission, distribution, public benefit programs, and  
24 recovery of uneconomic costs. The separation of rate components  
25 required by this subdivision shall be used to ensure that customers  
26 of the electrical corporation who become eligible to purchase  
27 electricity from suppliers other than the electrical corporation pay  
28 the same unbundled component charges, other than energy, that a  
29 bundled service customer pays. ~~No cost~~ *Cost* shifting among  
30 customer classes, rate schedules, contract, or tariff options shall  
31 *not* result from the separation required by this subdivision. Nothing  
32 in this provision is intended to affect the rates, terms, and  
33 conditions or to limit the use of any Federal Energy Regulatory  
34 Commission-approved contract entered into by the electrical  
35 corporation prior to the effective date of this provision.

36 (c) In consideration of the risk that the uneconomic costs  
37 identified in Section 367 may not be recoverable within the period  
38 identified in subdivision (a) of Section 367, an electrical  
39 corporation that, as of December 20, 1995, served more than four  
40 million customers, and was also a gas corporation that served less

1 than four thousand customers, shall have the flexibility to employ  
2 risk management tools, such as forward hedges, to manage the  
3 market price volatility associated with unexpected fluctuations in  
4 natural gas prices, and the out-of-pocket costs of acquiring the risk  
5 management tools shall be considered reasonable and collectible  
6 within the transition freeze period. This subdivision applies only  
7 to the transaction costs associated with the risk management tools  
8 and shall not include any losses from changes in market prices.

9 (d) In order to ensure implementation of the cost recovery plan,  
10 the limitation on the maximum amount of cost recovery for nuclear  
11 facilities that may be collected in any year adopted by the  
12 commission in Decision 96-01-011 and Decision 96-04-059 shall  
13 be eliminated to allow the maximum opportunity to collect the  
14 nuclear costs within the transition cap period.

15 (e) As to an electrical corporation that is also a gas corporation  
16 serving more than four million California customers, so long as  
17 any cost recovery plan adopted in accordance with this section  
18 satisfies subdivision (a), it shall also provide for annual increases  
19 in base revenues, effective January 1, 1997, and January 1, 1998,  
20 equal to the inflation rate for the prior year plus two percentage  
21 points, as measured by the consumer price index. The increase  
22 shall do both of the following:

23 (1) Remain in effect pending the next general rate case review,  
24 which shall be filed not later than December 31, 1997, for rates  
25 that would become effective in January 1999. For purposes of any  
26 commission-approved performance-based ratemaking mechanism  
27 or general rate case review, the increases in base revenue authorized  
28 by this subdivision shall create no presumption that the level of  
29 base revenue reflecting those increases constitute the appropriate  
30 starting point for subsequent revenues.

31 (2) Be used by the utility for the purposes of enhancing its  
32 transmission and distribution system safety and reliability,  
33 including, but not limited to, vegetation management and  
34 emergency response. To the extent the revenues are not expended  
35 for system safety and reliability, they shall be credited against  
36 subsequent safety and reliability base revenue requirements. Any  
37 excess revenues carried over shall not be used to pay any monetary  
38 sanctions imposed by the commission.

39 (f) The cost recovery plan shall provide the electrical corporation  
40 with the flexibility to manage the renegotiation, buy-out, or

1 buy-down of the electrical corporation's power purchase  
2 obligations, consistent with review by the commission to assure  
3 that the terms provide net benefits to ratepayers and are otherwise  
4 reasonable in protecting the interests of both ratepayers and  
5 shareholders.

6 (g) An example of a plan authorized by this section is the  
7 document entitled "Restructuring Rate Settlement" transmitted to  
8 the commission by Pacific Gas and Electric Company on June 12,  
9 1996.

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